

ENVIRONMENT, FOOD & RURAL AFFAIRS COMMITTEE: INQUIRY INTO BROADBAND IN RURAL AREAS

MEMORANDUM OF EVIDENCE FROM THE CHIEF ECONOMIC DEVELOPMENT OFFICERS SOCIETY (CEDOS)

Summary of evidence

- Numerous studies, including our own research, have demonstrated the importance of rural as well as urban areas to economic growth in this country.
- The inadequacy of broadband coverage and speeds in many parts of rural England is a major barrier to achieving rural economic performance and, as a result, national economic growth.
- The inadequacy of mobile phone coverage in many rural areas is also a major barrier and can have a significant adverse impact on the land-based sector, small businesses and the self-employed in remoter areas, rural tourism and on rural communities as a whole.
- We support the Government's decision to provide funding to stimulate investment in enhanced broadband infrastructure in the predominantly rural areas, where commercial providers had no plans to invest but there are a number of areas of concern.
- The Government's preference for a single national target for broadband coverage can mask significant disparities between rural and urban areas and the fact that public sector investment through the first contract has not sufficiently tackled issues of rurality is a concern.
- Where EU funding has an important role to play in local delivery, it will be important that this is not compromised by delay in implementing the 2014–20 Structural & Investment Funds Programme.
- In addition a number of individual policy/market failings in relation to the current programme that give rise to concern are set out in our evidence.
- County and unitary authorities across England are providing local leadership and have committed substantial resources to match fund and deliver the Government's Rural Broadband Programme despite the very significant cuts to local government funding – estimated at a 43% by the end of the current Parliament.
- The hardest to reach areas – the final 5% and more in some, perhaps many, parts of the country - are also the most capital investment intensive and take significantly more investment per individual property.
- With the focus of current government policy on maximising coverage and securing value for money there is a risk that the hardest to reach areas, with fewer, more dispersed premises being served and as a result being the most costly, will be the areas that are least likely to be supported. To tackle this, in

our view, a specific fund or programme targeted at these areas is likely to be needed.

- Value for money considerations will need to be carefully balanced with the rural dimension in the assessment of the tender for contract 2. We would expect the Government and BDUK to recognise that investment to achieve 95% coverage is more costly and that targeting isolated areas brings additional cost pressures.
- New technology and delivery methods must continue to be investigated and developed. The findings from the initial BDUK Market Testing Pilots must be disseminated as quickly as possible and the programme extended nationally.
- Whilst we have limited evidence on digital access and experience of digital-only programmes, such as the new CAP system applications, our evidence provides a number of local insights.
- The evidence includes local examples of support being provided for those required to use digital-only programmes and to tackle digital exclusion as a whole.

Introduction

1. This Memorandum of evidence is submitted by the Chief Economic Development Officers Society (CEDOS), which provides a forum for Heads of Economic Development in upper tier local authorities throughout England. Membership includes county, city and unitary councils in non-metropolitan areas, which together represent over 47% of the population of England and provide services across over 84% of its land area. The Society carries out research, develops and disseminates best practice and publishes reports on key issues for economic development policy and practice. Through our collective expertise, we seek to play our full part in helping to inform and shape national and regional policies and initiatives.

2. In our view, if we are to drive forward economic growth in this country we need to make the most of the economic opportunities throughout the country and unlock the potential of all areas and sub-regions. This must include our rural areas, which are a vitally important part of our economy and where the inadequacy of broadband connectivity in many areas is a key barrier to growth.

3. CEDOS welcomes the Committee's decision to hold this important Inquiry into rural broadband and we are pleased to put forward our views for which we have consulted with our members from across the country, many of whom are directly involved in the local delivery of the national rural broadband programme.

4. In our evidence, we also draw attention to the fact that inadequate mobile phone coverage is also a major barrier in many rural areas and we suggest the Committee should also consider this issue as part of its Inquiry.

The importance of rural economic growth and the vital role of effective broadband connectivity

5. Numerous studies, including our own research, have demonstrated the importance of our rural as well as our urban areas to economic growth in this country. Defra's Rural Economic Growth Review showed the substantial contribution that businesses in rural areas make to the national economy and that the importance of rural areas to national growth will continue to grow¹. This is further highlighted by the work of the Centre for Rural Economy at Newcastle University which reveals that rural areas contribute at least £211 billion a year directly to the English economy and have the potential to achieve even more. As it has said "rural economies have demonstrated their potential to provide more growth and employment if given appropriate stimuli and support from national and local business leaders and policy makers"².

6. The inadequacy of broadband coverage and speeds in many parts of rural England is a major barrier to rural economic performance and as a result national economic growth. The Country Land & Business Association, for example, has identified a significant rural-urban digital divide³. As the Government's Rural Statement said "effective, reliable and fast communications are vital for the economic prosperity and social sustainability of rural England. As well as being a key driver to growth in rural areas, access to effective broadband also has the potential to make services more accessible to rural communities"⁴.

7. The rural-urban digital divide resulting from the failure of commercial providers to meet the needs of rural areas is illustrated in Suffolk where commercial fibre broadband rollout coverage reached only around 55% of premises in the county, mostly in the major towns, leaving 45% of Suffolk on first generation copper broadband, with considerable areas having little or no connectivity.

8. In Lincolnshire, when the Local Enterprise Partnership consulted 100 major employers on the content of its Strategic Economic Plan, most described the problems of poor broadband infrastructure on their business operation. This included hauliers unable to track their vehicles, farmers unable to use GPS to direct their harvesting, and suppliers to major multiples who are unable to send in IT based invoices. This is a recurring theme in the County Council's quarterly employer surveys which go to 450 businesses and its bi-annual employer survey of 1500 businesses.

9. In this context, CEDOS supports

- the Government's decision to intervene in the market and provide funding to stimulate investment in enhanced broadband infrastructure in the predominantly rural areas covering almost one third of UK premises, where commercial providers had no plans to invest;

¹ *Rural Economic Growth Review* Defra 2011

² *Rural areas as engines of economic growth* Centre for Rural Economy Newcastle University April 2013

³ *Broadband fit for rural growth* Country Land & Business Association 2012

⁴ *Rural Statement* 2012 Defra September 2012

- the objective for all premises to have broadband speeds of at least 2 Mbps and the intention for 90 % to have access to superfast internet speeds of above 24 Mbps by 2015;
- the announcement in June 2013 of a further phase 2 with £250 million of funding to support increased coverage of 'superfast' broadband to 95 per cent of premises in the UK by the end of 2017.

10. At the same time it is important that the focus on rural broadband does not lead to the inadequacy of mobile phone coverage in many rural areas being overlooked. Intermittent or non-existent mobile phone signals are also a major barrier for rural areas and have a significant adverse impact on the land-based sector, small businesses and the self-employed in remoter areas, rural tourism and rural communities as a whole.

The Rural Broadband Programme – Some issues of concern

11. The deficiencies of the Government Programme have been the subject of strong criticism by both the National Audit Office and the House of Commons Public Accounts Committee both in terms of a lack of provider competition and the delivery of the programme running two years late, in part acknowledged due to an extended negotiation to gain EU approval under state aid rules, which took six months longer than expected.

12. The Environment, Food & Rural Affairs Committee in its report on rural communities issued in 2013, whilst supporting the Government's efforts under the Rural Broadband Programme, expressed concern that the Government's approach might in fact increase the digital divide further. The Committee said that in pushing for increasing speeds, the Government must not lose sight of those who currently lack access to broadband or whose access is below the 2Mbps threshold considered by the Government necessary for an adequate service.

13. We would point out that the Government's approach to broadband coverage and its preference for a single national target can mask significant disparities between rural and urban areas. This is illustrated in Nottinghamshire, where at the end of the first Broadband Delivery UK (BDUK) programme in the county in 2016 there will be a gap of up to 10% in terms of fibre coverage, with some rural districts not achieving the national target of 90% coverage, whilst more urban/suburban districts will achieve in excess of 97%. Whilst this reflects the fact that providers' commercial activity has largely centred on densely populated urban areas, the fact that public sector investment through the first contract has not sufficiently tackled issues of rurality is a concern.

14. Where EU funding has an important role to play in local delivery, it will be important that this is not compromised by delay in implementing the 2014–20 Structural & Investment Funds Programme. Cornwall Council points out that the time taken for technical negotiation already means that the Cornwall and the Isles of Scilly Less Developed Area Programme (and local programmes) will be late starting.

15. Individual policy/market failings in relation to the current programme reported by members that give rise to concern, are:

- whilst the Government's universal service commitment is to speeds of 2 Mbps, this basic speed is regularly raised as an issue as demand for bandwidth increases;
- whilst cabinets may be upgraded, properties that are too distant from them (a kilometre or more), although they may benefit from enhanced speeds, might not receive superfast service speeds. Currently the market does not extensively offer services in these circumstances and as a result such properties are in effect limited to basic broadband services;
- under current policy arrangements, publically funded resources cannot be used to support premises that cannot receive services greater than 24 Mbps but can receive more than 2 Mbps. While this is aligned to State Aid requirements, it does limit the impact of public funding in increasing speeds generally. This is particularly true for rural areas;
- a failure by BT to provide sufficiently precise and localised information on broadband take-up at cabinet level to support local broadband demand stimulation campaigns.

Overall progress in local areas

16. Government funding has been dependent on local match and across England county and unitary authorities are working with BDUK. They are providing local leadership and have committed substantial resources to match fund and deliver the Government's Rural Broadband Programme. This is despite the very significant cuts to local Government funding, which the Local Government Association has assessed will have fallen by £20 billion by the end of the current Parliament - a reduction of 43%⁵.

17. Particularly given the short deadline for submitting evidence to the Inquiry, we are not in a position to provide a comprehensive picture across rural England but from evidence provided by our members we can illustrate the substantial progress that is being made in local areas with local authority leadership, investment and partnership working. Examples are:

- *Cambridgeshire* – where for 'Connecting Cambridgeshire'⁶, local authority funding of up to £23 million has been made available, in addition to the BDUK funding. The open market research conducted in 2012 indicated 95,000 premises needed to be passed by the intervention project. Delivery began in November 2013 and to date more than 220 cabinets have been installed reaching nearly 45,000 premises by November 2014;
- *Central Bedfordshire* – where over 15,000 premises are being supported to receive superfast services and over 2,500 premises supported to

⁵ *Provisional local government finance settlement 2014-15 & 2015-16* LGA Briefing 18 December 2013

⁶ *Connecting Cambridgeshire* also covers Peterborough

receive services of at least 2 Mbps; this is ensuring that all premises will be able to receive basic broadband and 90% will have superfast services. Central Bedfordshire Council is participating in the Phase 2 BDUK project, and is seeking to extend coverage well beyond the national target of 95% and is aiming at all premises having superfast services;

- *Cheshire* – where the ‘Connecting Cheshire’ partnership of 4 unitary councils⁷ has been allocated £2.12 million from the BDUK Superfast Extension Programme as well as being awarded £643,000 of BDUK funding to reach additional rural premises in specific areas. Together with funding from the four local authorities, the combined £5.7 million budget will help increase coverage of Cheshire from the originally planned 96% to around 99% by 2017;
- *Cornwall* – where the superfast broadband roll out has given the region competitive advantage and has reached 95% of all homes and businesses in the county, with a great many positive examples of the difference that it has made to businesses;
- *County Durham* – where around 72,000 premises would miss out without the ‘Digital Durham’ programme, which will invest £13.86 million of public money to improve broadband in the county. By the end of September 2016 it is estimated that: 96% of premises will have access to a superfast broadband service in excess of 24 Mbps download speed; 98% will have access to a fibre broadband service; and all premises will be able to obtain a minimum service of 2 Mbps;
- *Shropshire* – where the ‘Connecting Shropshire’ programme covers 72,000 premises and aims to provide basic broadband for all in the programme area and as much fibre based broadband with the funds available. When added to commercial broadband roll-out, the Shropshire Council area of 142,000 premises are projected to achieve the 93% coverage of fibre based broadband. Whilst take-up of fibre broadband across the programme area is currently running at about 8%, the local target is to increase this to well above the national average of 20%;
- *Suffolk* – during 2012, work started on an initial tranche of upgrades, funded by the ‘Suffolk Better Broadband’ programme targeted specifically and exclusively at those rural areas which would not otherwise receive fibre broadband via commercial upgrades. With some £22 million of public funding, the programme will extend the existing coverage to around 85% by the end of 2015. 90% of premises will get broadband speed uplifts of 10Mbps or more and 84% of those currently getting less than 2Mbps will be upgraded to fibre-based broadband. The programme is currently around halfway through and reported to be progressing well.
- *Tees Valley* – a £770,000 investment from the five Tees Valley local authorities matched with BDUK funding will ensure that 11,000 premises benefit from superfast broadband, an increase from 89% to 93%. Tees

⁷ Cheshire East, Cheshire West & Chester, Halton Borough and Warrington Borough Councils

Valley is part of the 'Digital Durham' programme and rollout is anticipated to begin before the end of 2014. The Tees Valley programme also includes a number of rural areas who received funding through the Rural Broadband Connectivity Fund, now part of the wider BDUK investment.

The extent of broadband coverage in hardest to reach rural areas

18. County and unitary authorities across England have clear aspirations to bring broadband coverage to the hardest to reach rural areas and are doing what they can to achieve this by participating in and co-funding the phase 2 BDUK Superfast Extension Programme in their areas. The objective of the Programme is to achieve 95% coverage nationally but it has to be recognised that even this is unlikely to be achieved uniformly across the country. Nottinghamshire provides an example. Here, for its second BDUK contract, Nottinghamshire County Council is focusing the public sector investment on the three rural districts that achieve the lowest coverage percentages at the end of contract 1. These districts have 77% of eligible premises under the second contract. However, the Council acknowledges that even with this targeting, some of these districts are unlikely to achieve the target set by the Government for the Superfast Extension Programme.

19. In Lincolnshire, the County Council recognises that BDUK funding, with fixed provision as a requirement, will not provide coverage throughout their rural areas. The Council is currently running two pilot schemes – using ERDF and the Council's own resources – to deliver wireless solutions to such areas. Whilst take-up in these pilots is high, the Council is not yet convinced that the communities will have the processes/capacity to maintain the wireless solution when public funding ends. It is also clear that community led broadband schemes will only be viable where a community is sufficiently large. Both of these concerns point to the need to recognise community capacity as part of any broadband strategy for remote areas.

20. In County Durham & Tees Valley, where a collaborative Rural Community Broadband Fund (RCBF) application between Durham County Council and the Tees Valley Councils was confirmed as successful in March 2014. The additional funds, in excess of £1 million, will be used to improve broadband in the Teesdale and Weardale areas, where after contract 1 of the programme has been completed, 20% and 15% respectively will have broadband speeds below 15Mbps. In Tees Valley, RCBF will benefit areas including Moorsholm and Yearby in Redcar and Cleveland, Stillington in Stockton and Piercebridge in Darlington. BT is currently bidding for the second contract which, after contract 1 has finished, will address some of the remaining premises still with low speeds. However, a major issue is that the current funding and technical solutions offered by BT will be unable to address all the premises in County Durham and in Tees Valley with poor broadband speeds in a cost effective manner as the contract stipulates a price per premise cap of £1700, which is a major obstacle for hard to reach rural areas.

21. The reality is that the hardest to reach areas – the final 5% and more in some, perhaps many, parts of the country - are also the most capital investment intensive and take significantly more investment per individual property. The deployment of superfast broadband to remote rural areas is inherently harder

and more costly than in densely populated areas due to increased distances and infrastructure deployment related costs. As such the market is less likely to provide services than in urban areas.

22. With the focus of current government policy on maximising coverage and securing value for money there is a risk that the hardest to reach areas, with fewer, more dispersed premises being served and as a result being the most costly, will be the areas that are least likely to be supported. To tackle this, in our view, it is likely to be necessary for a specific fund or programme to be targeted at these areas. This could potentially be delivered either through a specific addition to the BDUK Programme or through another agency. However, because State Aid requirements for public investment in broadband are both extensive and resource intensive, every effort must be made to ensure alignment with existing process and approvals, i.e. by extending existing BDUK contracts.

23. Value for money considerations will need to be carefully balanced with the rural dimension in the assessment of the tender for contract 2. We would expect the Government and BDUK to recognise that investment to achieve 95% is more costly and that targeting isolated areas brings additional cost pressures.

24. At the same time, new technology and delivery methods must be investigated and developed. The BDUK Market Testing Pilots to explore innovative solutions to deliver broadband services in the hardest to reach areas of the UK, though small in number, are welcomed. We consider that the findings from the initial pilots must be disseminated as quickly as possible and the programme extended nationally. There is also scope for further alignment with research and development policy in terms of seeking to support innovation and technology transfer, with a focus on enabling technologies to provide superfast broadband services.

Digital access and experience of digital-only programmes, such as the new CAP system applications

25. Whilst we have limited evidence at this stage, we can offer some insights from local areas:

- *Cambridgeshire* cites experience from managing the former Fens Adventurers Leader programme, which indicates that some rural applicants, even small businesses and farmers will find the switch to digital only programmes difficult, suggesting that if direct assistance is not available through programme staff or has to be paid for by using agents, it may well deter some potential applicants from applying for support and may cause difficulty at the payment claim stage;
- *Lincolnshire* highlights the fact that Job Centre information and opportunities will soon be available only on digital platforms, which will lead to individuals needing broadband access to be able to find job opportunities and presenting a risk that unemployed individuals will not be able to gain access thus reducing their ability to gain a job. Within the county, West Lindsey District Council is investing in broadband facilities in

remote village halls to overcome the risk - but it is still early days to assess the impact of the approach;

- *Northamptonshire* – where the County Council’s farmers demand registration survey⁸, which collated 102 responses, revealed that 83% of farmers were ‘highly dependent or more so’ on an internet connection, with 41% reporting they had a ‘fairly unreliable or worse’ connection;
- *Shropshire* highlights the fact that the challenges for agriculture concern not only the specifics of the new CAP system applications but also the general and very real challenge of supporting farming communities through a range of mechanisms, including improving computer skills, and enabling broadband access generally.

26. As regards the new CAP system applications, clearly groups such as the National Farmers Union and the Country Land and Business Association are best placed to comment. However, from the soundings we have taken with our members, some observations are:

- it would help if those managing the new online CAP service would provide some basic information on minimum speeds required to use the system etc.;
- the nature of some farms is that the yard/office is at distance from cabinets, so may not see a speed improvement;
- alternative technology approaches need to be implemented for any which are below the 2 Mbps.

Support available for those required to use digital–only programmes

27. The implementation of digital-only programmes needs to be supported with digital skills development and delivered with assisted digital processes that pass on digital skills and drive greater digital inclusion. A number of our member authorities are active in developing support programmes, for example:

- *Central Bedfordshire Council*, were successful in securing national Department for Culture, Media & Sport *Women in Broadband* funding. This is helping over 250 women make better use of ICT in either existing or new business ventures;
- *Cheshire East Council* has appointed a Digital Inclusion Co-ordinator to co-ordinate and support a network of Digital Learning Champions and work on a programme to deliver intervention and support to help those currently off-line gain digital literacy, in particular the elderly, vulnerable, rurally isolated and other low income groups;
- *Lincolnshire County Council* has worked with the Rural Community Council to provide training and support so that individuals gain IT skills;

⁸ *Superfast Northamptonshire Farm Demand Registration Survey* Northamptonshire County Council in conjunction with the National Farmers Union March 2014

- *Nottinghamshire County Council* - as part of the demand stimulation work of the 'Better Broadband for Nottinghamshire' programme, the Council:
 - will be delivering a range of 'first steps online' sessions for those looking to improve their online skills; and dedicated business support sessions;
 - is establishing a network of Digital Champions, offering local support to those with more specific queries about the internet and ICT use;

- Shropshire Council is providing a range of support services:
 - free internet access at libraries and 'Broadplaces';
 - establishing a 'Connecting Shropshire' Partnership as an additional communication channel for stakeholders and communities and to support the Council to unlock potential match funding;
 - setting up the Shropshire Digital Inclusion Forum to bring together all the organisations that are supporting digitally excluded people;
 - an EU funded 'Optimising Business Broadband' project for eligible SMEs (run jointly with Staffordshire County Council);
 - an EU funded Farming Digitalisation Project, running until July 2016 to help farmers in Shropshire enhance their competitiveness and embrace opportunities afforded by the rollout of superfast broadband;
 - a 'Women and Broadband' project to meet an identified need in the county being delivered by Harper Adams University on behalf of the Council;

- *Wiltshire Council* has developed programmes to support individuals and businesses to develop their understanding, skills and use of on-line services:
 - Digital Literacy – working with volunteers to work with individuals within their community to help them get on line and become confident to use technology;
 - Wiltshire business support programme - to help small and micro businesses to focus upon specific aspects of online technologies (e.g. developing a web presence) to support and promote their work).

The Council is also part of a consortium of South West local authorities who are using ERDF funding to put into place a business support programme to help businesses exploit the use of online services and technologies to increase employment and gross value added.